POLICY ON

RELATED PARTY TRANSACTIONS

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A. Preamble

1. Provisions of Related Party Transactions (RPT's) under the new Companies Act, 2013 have become applicable from 1st April 2014. These provisions will not only be applicable to companies and/or directors but also to the Key Managerial Personnel(KMP's) which includes CFO, Company Secretary, CEO, Manager and other officers identified by the company as KMPs.

2. We have some 100 odd companies, which can be related parties. This includes subsidiaries, JVs, Associate Companies etc. This list will be updated and published quarterly by the Corporate Secretariat Department. Respective Finance departmental heads are advised to provide the periodic details of the Related Party Transactions of the Companies under their fold to Corporate Finance department who in turn will validate and send the consolidated RPTs in Board presentable format to the Corporate Secretariat Department within 7 days of end of quarter. The report will be submitted to the Audit Committee for its review after approval from Chief Compliance Officer, CFO and CEO of the Company.

3. It may be noted that in case of related party transaction(s), a disclosure to the Stock Exchange(s) requires to be submitted semi-annually as per the Listing Regulations, 2015 (as amended from time to time) in the prescribed format.

4. Related party transactions provisions are also applicable to the transactions with Foreign/Overseas Companies as well.

   As per the Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR),the listed entity shall formulate a policy on materiality of related party transactions and on dealing with related party transactions, and the same needs to be reviewed by Board of directors every three years:

   Explanation- A transaction with a related party shall be considered **material,** if the transaction(s) to be entered into, individually or taken together with previous transactions during a financial year, **exceeds rupees one thousand crore or ten percent of the annual consolidated turnover of the listed entity** as per the last audited financial statements of the listed entity, whichever is lower.

   *Notwithstanding the above, a transaction involving payments made to a related party w.*r.t brand usage or royalty shall be considered material if the transaction(s) to be entered individually or taken together, exceeds **five percent of the annual consolidated turnover of the listed entity** as per the last audited financial statements of the listed entity.

5. All related party transactions [and subsequent material modifications] shall require prior approval of the audit committee of the listed entity:

   (a) the audit committee of a listed entity shall define "material modifications" and disclose it as part of the policy on materiality of related party transactions and on dealing with related party transactions;

   (b) a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year exceeds ten per cent of the annual consolidated turnover, as per the last audited financial statements of the listed entity;

(c) with effect from April 1, 2023, a related party transaction to which the subsidiary of a listed entity is a party but the listed entity is not a party, shall require prior approval of the audit committee of the listed entity if the value of such transaction whether entered into individually or taken together with previous transactions during a financial year, exceeds ten per cent of the annual standalone turnover, as per the last audited financial statements of the subsidiary.

(d) prior approval of the audit committee of the listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 of LODR are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred to in (d) above, the prior approval of the audit committee of the listed subsidiary shall suffice.

6. The Audit Committee may make Omnibus Approval for related party transactions proposed to be entered into by the Company subject to the conditions as mentioned in para F (I) (3).
7. Only those members of the Audit Committee, who are independent directors, shall approve the RPTs

B. Applicability

All the Related Party Transactions are to be done strictly as per the procedures, processes and methodologies prescribed in this policy and this policy shall invariably be applicable to JSPL and its subsidiary, associates, joint ventures and group companies.

However, the provisions given under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 / SEBI circulars, as mentioned in this policy shall be applicable only to listed Company(ies) of the Group. Presently there is only one Listed Entity i.e. Jindal Steel & Power Limited.

C. Who is a Related Party

The term Related Party is defined under Section 2 (76) in Companies Act, 2013, which includes:

Related Party with reference to a Company, means;

(i) Director or his relative;
(ii) A Key Managerial Personnel or his relative
(iii) A firm, in which a director, manager or his relative is a partner;
(iv) A private company, in which a director or manager or his relative is member or director;
(v) A public company, in which a director or manager is a director and holds along with his relatives more than 2% of its paid up capital
(vi) Anybody corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
(vii) Any person on whose advice, directions or instructions a director or manager is accustomed to act:
Provided that nothing in sub-clauses (vi) and (vii) shall apply to the advice, directions or instructions given in a professional capacity.
(viii) Any company which is-
  » a holding, subsidiary or an Associate Company of such company
  » a subsidiary of a holding company to which it is also a subsidiary

» an investing company or the venturer of the company;

(ix) Such other persons as may be prescribed

Associate Company: A company in which other company has a significant influence to control at least 20% of total share capital or business decision under an agreement. It includes a JV company.

Further in terms of Regulation 2(1) (zb) of the LODR, the term Related Party shall also include the related parties covered under applicable accounting standards.

Provided that:

(a) any person or entity forming a part of the promoter or promoter group of the listed entity; or (b) any person or any entity, holding equity shares:

(i) of twenty per cent or more; or

(ii) of ten per cent or more, with effect from April 1, 2023; in the listed entity either directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, at any time, during the immediate preceding financial year; shall be deemed to be a related party

Provided further that this definition shall not be applicable for the units issued by mutual funds which are listed on a recognised stock exchange(s)

Ind AS 24 defines Related Party as under :

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control of the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Corporate Secretarial Department shall provide the list of the Related Parties from time to time.

D. What is Related Party Transaction

Section 188(1) of the Companies Act, 2013 prescribes types of related party transactions. According to this Section, subject to the approval of the Audit Committee or the Board or the Shareholders, as the case may be, a **Company shall enter into any contract or arrangement** with a related party with respect to:-

(a) Sale, purchase or supply of any goods or materials;
(b) Selling or otherwise disposing of, or buying, property of any kind (including intangible property);
(c) Leasing/ licensing of property of any kind (including intangible property);
(d) Availing or rendering of any services;
(e) Appointment of any agent for purchase or sale of goods, materials, services or property;
(f) Appointment of any related party to any **office or place of profit** in the company, its subsidiary company or associate company; and
(g) Underwriting the subscription of any securities or derivatives thereof, of the company.

Office or Place of profit : *Anything by way of remuneration over and above the remuneration to which he is entitled as director/KMP/Relative, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise.*

Section 177 of the Companies Act, 2013 covers all the transactions with related party as defined under Companies Act, 2013 as related party transactions.

In addition to the above, in the case of Listed Company Related Party Transactions shall have the meaning as defined under Regulation 2(1) (zc) of LODR which is as under:
"Related party transaction" means a transaction involving a transfer of resources, services or obligations between:
(i) A listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand; or
(ii) a listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries, with effect from April 1, 2023;
Regardless of whether a price is charged and a "transaction" with a related party shall be construed to include a single transaction or a group of transactions in a contract

e.g. of above is Corporate guarantee given to some third party on behalf of any related party, which is giving some benefit to related party

E. Different level of Approvals for material related party transactions

All material related party transactions [and subsequent material modifications as defined by the audit committee under sub-regulation (2)] shall require prior approval of the shareholders through resolution and no related party shall vote to approve, such resolutions whether the entity is a related party to the particular transaction or not:

Provided that prior approval of the shareholders of a listed entity shall not be required for a related party transaction to which the listed subsidiary is a party but the listed entity is not a party, if regulation 23 and sub-regulation (2) of regulation 15 ofLODR are applicable to such listed subsidiary.

Explanation: For related party transactions of unlisted subsidiaries of a listed subsidiary as referred above, the prior approval of the shareholders of the listed subsidiary shall suffice.

The provisions of sub-regulations (2), (3) and (4) of Regulation 23 of LODR, shall not be applicable in the following cases:

(a) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

(b) transactions entered into between two wholly-owned subsidiaries of the listed holding company, whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.]

F. *Overall approach to comply with the requirement as above*

(I) In order to facilitate operations and ensure that the transactions are done without hindering any day to day operations for want of prior approvals, following arrangement will be put in place:

1. Related parties shall be categorized into three segments viz.:

   a) Holding Company or 100% subsidiary Company,
   b) Subsidiaries/joint ventures where part of the share capital is held by Government entities or by any person who is not a Related Party
   c) Other related parties

2. Regular / recurring transactions with parties under (a) or (b) above shall be carried out at Arm's length based on the annual budgetary approvals. At least one tender inviting competitive bids should be obtained for such recurring transactions periodically in order to establish the terms of such transactions are at arms' length and in the ordinary course of business.

3. For related party transactions with parties covered in category 1(c), the Company shall adhere to the following:

   i. where comparative prices of the product are available in the reputed data base or indices then such prices shall be taken as the price for executing the related party transaction(s).

   ii. where comparative prices of the products are not available in the reputed data base or indices then 3 or more bids should be invited indicating estimated quantity required for the whole year. If the 3 competitive bids are not available, reasons to be documented and approved by location Finance, Procurement Head.

   iii. Managing Director / CEO and Chief Financial Officer shall approve such Related Party Transactions at the time of actual execution.

   iv. Unit Finance to review such transactions pertaining to the respective location to ensure correctness. Corporate Finance to review the same and also get the same validated through internal auditor/ independent 3rd party IA agency and place the report to Audit Committee.

4. Audit Committee may, subject to following conditions, grant omnibus approval for transactions with the parties:

For Unlisted Companies :

(1) The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:-

(a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
(b) the maximum value per transaction which can be allowed;
(c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
(d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the Company pursuant to each of the omnibus approval made;
(e) transactions which cannot be subject to the omnibus approval by the Audit Committee.

(2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: –

(a) repetitiveness of the transactions (in past or in future);
(b) justification for the need of omnibus approval.

(3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.

(4) The omnibus approval shall contain or indicate the following: –
(a) name of the related parties;
(b) nature and duration of the transaction;
(c) maximum amount of transaction that can be entered into;
(d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
(e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.

(6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.

For Listed Companies :

In case of a listed company of the Group, in addition to the above conditions, the Omnibus Approval for related party transactions proposed to be provided by the Audit Committee will be subject to the following conditions-

(a) the audit committee shall lay down the criteria for granting the omnibus approval in line with the policy on related party transactions of the listed entity and such approval shall be applicable in respect of transactions which are repetitive in nature;

(b) the audit committee shall satisfy itself regarding the need for such omnibus approval and that such approval is in the interest of the listed entity;

(c) the omnibus approval shall specify:

(i) the name(s) of the related party, nature of transaction, period of transaction, maximum amount of transactions that shall be entered into,

(ii) the indicative base price / current contracted price and the formula for variation in the price if any; and

(iii) such other conditions as the audit committee may deem fit or mandatory required to be placed under any law time being in force.

Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may grant omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

(d) the audit committee shall review, at least on a quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals given.

(e) such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from vote to approve on such resolutions whether the entity is a related party to the particular transaction or not.

These provisions shall not be applicable in the case transactions entered into between a holding Company and its wholly owned subsidiary whose accounts are consolidated with such holding Company and placed before the shareholders at the general meeting for approval.

The Company shall disclose the policy on dealing with the Related Party Transactions on its website and a web link thereto in the in the Annual Report.

All the Related Party Transactions are to be reviewed by Finance department and to be validated by internal auditor/ independent 3rd party IA agency.

(II) Budgetary approval (**As per the format given in Annexure-II**) will be obtained for proposed related transactions from the Audit Committee/Board/Shareholders, as the case may be, showing the name of related parties, nature of transactions, terms/quantity, indicative base price / current contracted price and the formula for variation in the price, if any and amount for full year as per Annual Business plan for the year, and

(III) Where the transaction exceeds the budgetary approval, supplementary approval shall be taken from the respective authority(s) before entering into the transaction.

(IV) If any transaction is not covered in the budgetary approval, then details mentioned above should be sent to Corporate Secretariat Department well in advance for inclusion in the Budgetary approval to be taken from the Audit Committee.

(V) Quarterly statement showing details of transactions as above and vetted by Finance department and independent 3rd party agency, Chief Compliance Officer, CFO & CEO of the company will be submitted to Audit committee. This is must.

(VI) If there is any one of transactions (more than Rs. 1 Crore per transaction) not covered by above points, then prior approval of Audit Committee must be taken through Company Secretary before entering into the contract.

All the documents evidencing above compliances shall be maintained by the respective departments.

G. Guidelines/Procedures to be followed by all the Companies in the Group for Related Party Transactions.

a) **All related party transactions will be done only at Arm's length** in terms of prices /terms and conditions and in the normal course of business. (In case where a transaction is done without monetary consideration, then the arm's length price shall be the price, if the transaction should have been transacted at a price, had it not been done without consideration.

b) Arm's length price comparable to be established for every transaction by any one of the following methods (in the following order of priority):

   i. Comparison with similar transactions with third parties of either of the transacting related parties.
   ii. Having minimum three (3) quotations from unrelated parties
   iii. Establishing comparable prices/margins/terms using reputed data bases or indices.
   iv. In exceptional cases, third party valuation report to be obtained to establish the Arm's Length Price.

c) For every related party transaction or modification(s) thereof, information as per enclosed **Annexure III** to be filled up by Unit Finance along with supporting documents.

d) Approval process for the transaction as per **Delegation of Financial Power (DOFP)** or other guidelines and will be followed on the basis of **Note for Approval (NFA)** and documents as in clause (c) above.

e) Location Finance head of every unit/company is responsible to provide the list of all related party transactions/supporting documents to Corporate Finance by 10th of every following month for the previous month. All the Related Party Transactions are to be reviewed by Finance department and to be validated by internal auditor/ independent 3rd party IA agency quarterly.

f) All location Finance Head/ Purchase Head/ Marketing Head has to ensure that while creating new Vendor or Customer code in system that concerned party is a related party and same has to be marked in Vendor/ Customer Master.

g) Any transaction not in compliance of the above and related party transaction will need prior approval and hence NFA to be submitted to Corporate Secretariat Department with internal approvals and documents verified by Corporate Finance to arrange approval of Audit Committee/Board/Shareholders, as the case may be.

h) In case of any doubt, please consult Corporate Secretariat Department for clarification/guidance.

H. Arm's Length Price (ALP)

Arm's Length Transactions means a transaction between two related parties that is conducted as if they were unrelated so that there is no conflict of interest.

Computation Methodology of Arm's Length has not been prescribed under the Companies Act, 2013. Hence please refer to the guidelines as mentioned in E to ensure the Arm's length price.

Annexure I: Samples of Related Party Transactions:

Company	Transactions
Wollongong Resources Pty Limited	Purchase of coking coal
Jindal Shadeed Iron & Steel	Purchase of HBI and Sale of Pellet /Fabricated Structure/Machinery
Jindal Mozambique Minerals Ltd	Purchase of Thermal/Coking coal
Jindal Mining SA	Purchase of Anthracite and Thermal Coal
Jindal Power Limited	Purchase of Power/Sale of Steel/Sale or Purchase of Scrap
Nalwa Steel & Power Limited	Conversion-a) Iron ore /Iron ore fines/Pellets to Sponge Iron b)Pellet to TMT c) Iron ore to TMT d) TMT to Cut and Bend,Sale/Purchase of Sponge iron, Sale of Pig Iron/Scrap

Annexure II

Related Party format
Format for taking budgetary approval for related party transactions from Audit Committee

Particulars						For Approval of Audit committee				
S.No.	Previous FY		Location	Name of RP	Nature of transaction	Current Year Actual		Current Year Budgeted		
	Qty	Value				Qty	Value	Qty	Current rate/ indicative price	Value

Annexure-III- Methodologies

Following are the methodologies for ensuring the related party transactions are done at Arm's length price. One of the three suggested methodologies must be adopted.

A. Comparable price: wherever possible three independent quotations should be obtained and listed as per following table. The transaction price for the proposed related party transaction should be compared with the independent quotation. Wherever 3 independent quotations cannot be obtained, adequate reason for the same to be mentioned and approved by location Finance, Procurement Head.

Comparison with quotations/bids					
Location	Item	Transaction Price	Comparative Price		
			1	2	3

B. Comparison with recent transactions: Any recent transactions for the sale/purchase of same product can be used as basis for comparison of price for related party transaction in such cases the comparative details should be maintained as per following table:

Comparison with recent transactions		
Bidding Vendor	Transaction Price	Comparative Price

C. Comparative indicators will be one of the following:

i. Steel Mint
ii. E-auction
iii. CMIE database
iv. Platts Index
v. Any other

Annexure – IV

Pricing method to be opted in case Independent quotations/third party transactions not available

For Purchases:

Products	Method of pricing if Independent quotations/third party transactions not available
(a) Coal	
- Domestic	Recent auction of Coal India Limited on GCV basis
- Imported	Platt's index
(b) Iron ore	OMC E-Auction price
(c) Sponge Iron / Pellets / Pig Iron	SteelMint Index
(d) Ferro alloys	Comparable market price or Cost plus Markup (along with basis of markup)
(e) Steel Products	SteelMint index or Cost plus Markup (along with basis of markup)

For Sales:

Products	Method of pricing if Independent quotations/third party transactions not available
(a) Steel Products	On the basis of price guidance approved by management
(b) Sale of specific grade products	On the basis of price guidance approved by management plus additions
(c) Sponge Iron / Pellets / Pig Iron	SteelMint Index
(d) Cement	Comparable market price or Cost plus Markup (along with basis of markup)

For Others Transactions

Products	Method of pricing if Independent quotations/third party transactions not available
(a) For any kind of services provided / availed	Cost Plus arm's length mark up / any other price which justifies the arm's length nature of underlying transaction with appropriate documentation
(b) For Financial transaction (Including Loan, Debentures etc.)	Appropriate arm's length analysis while entering transaction (Interest/ Coupon rate benchmarking using internal/external data as per availability)